REBUTTAL TESTIMONY

OF

JOHN R. HENDRIX

ON BEHALF OF

SOUTH CAROLINA ELECTRIC & GAS COMPANY

DOCKET NO. 2005-2-E

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A. My name is John R. Hendrix. My business address is 1426 Main Street, Columbia, South Carolina.

Q. HAVE YOU PREVIOUSLY FILED DIRECT TESTIMONY IN THIS DOCKET ON BEHALF OF SCE&G?

A. Yes.

Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY AND EXHIBITS OF J. BERTRAM SOLOMON?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. My rebuttal testimony addresses some of the issues raised in the testimony filed by SMI Steel-South Carolina ("SMI") Witness J. Bertram Solomon.

Q. ON PAGE 7, LINES 5-6, MR. SOLOMON REPRESENTS THAT "IT IS HIGHLY UNLIKELY THAT THE REQUESTED FUEL FACTORS FOR DUKE AND CP&L WILL BE ANYWHERE NEAR THE VERY LARGE INCREASE REQUESTED BY THE COMPANY." DO YOU HAVE ANY

KNOWLEDGE OF THE FUEL FACTOR REQUESTS OF THOSE COMPANIES?

A. No. Neither Duke nor Progress Energy (formerly known as CP&L) has filed for fuel adjustment increases in 2005 in South Carolina; therefore, the amount and magnitude of their respective increases in South Carolina presently are unknown. It is pure speculation at this point for Mr. Solomon to suggest that Duke's or Progress Energy's fuel factor increase in 2005 in South Carolina will be less than SCE&G's, as it would be speculation for us to suggest that their increases would be greater than SCE&G's.

I am aware of a current proceeding in Mr. Solomon's home state of Georgia in which Georgia Power has requested a fuel factor averaging 2.5902 ¢/kWh from the Georgia Public Service Commission in Docket No. 19142-U, which is higher than SCE&G's requested fuel factor of 2.342 ¢/kWh. The direct testimony filed by Georgia Power in that docket indicates that Georgia Power is affected by the same driving forces that have required SCE&G to request its current fuel factor, that is, a substantial increase in costs in coal prices and transportation, and higher prices and volatility in gas markets.

Q. ON PAGES 9 AND 10 OF HIS TESTIMONY AND IN HIS EXHIBIT JBS-3, MR. SOLOMON ASSERTS THAT THE DIFFERENCES HE CALCULATES IN COSTS BETWEEN SCE&G, DUKE, AND PROGRESS ENERGY DO NOT APPEAR REASONABLE ON THEIR FACE. DO YOU AGREE?

A. No, I do not. Mr. Solomon's analysis requires two revisions to be useful. First, Mr. Solomon's breakdown of generation for SCE&G in his Exhibit JBS-3 is not indicative of the actual generating operations. As explained in the pre-filed testimony of several SCE&G witnesses, the Williams Generating Station, commonly referred to as GENCO, is a wholly-owned subsidiary of SCANA. While the power from GENCO is "purchased" by SCE&G pursuant to a purchase power agreement, because GENCO is operated and dispatched with SCE&G's fleet of generation units, it is more accurately characterized as SCE&G steam generation. This fact is evidenced by the difference in the purchase power percentage and the purchase power price per MWh shown in Mr. Solomon's Exhibit JBS-3. Thus, for fuel cost analysis, the GENCO power is more appropriately captured in the "Steam" generation category. Additionally, the cost captured in Mr. Solomon's number for GENCO includes non-fuel related costs which necessarily must be deducted. An accurate rendering of what Mr. Solomon was attempting to show is found on the first page of my attached Exhibit No. ___ (JRH-4). In that chart, after moving GENCO power into the steam power category, the percentage of steam power for SCE&G is actually 67.4%, and the true "purchased power" drops to 8.2%. After adjusting for GENCO's power production, the actual weighted average "Fuel and Purchased Energy Cost per MWH" for SCE&G is $16.47.

Secondly, a flaw in Mr. Solomon's analysis is his failure to account for the difference in generation mix between the utilities. In short, because Duke and

Progress Energy have a much higher percentage of nuclear power, which has a lower fuel cost per MWh, the average fuel cost is artificially skewed rendering Mr. Solomon's comparison meaningless. For example, SCE&G generates 20.8% of its power from a nuclear source, while Duke and Progress Energy generate 45.9% and 41.1%, respectively, of their power from nuclear sources, with a per MWh cost less than $5.

To the extent comparisons are useful, a more meaningful comparison to analyze the fuel purchases among the investor-owned utilities is to consider the relative pricing for fuel sources among the utilities. Mr. Solomon's own Exhibit JBS-3 demonstrates that SCE&G's fuel purchasing practices for fossil fuels are similar to those of Duke and Progress Energy. A line-by-line examination of the per MWh fuel cost shows just how comparable the fuel costs are between the three utilities. For example, the steam generation cost for SCE&G per MWh is $16.47 (after adjusting for GENCO). Duke's cost per MWh for steam is $16.34, and Progress Energy's cost per MWh for steam is $20.43. Another way to cross-check the fuel costs is to apply the unit cost per MWh for fuel from Duke and Progress Energy to the generation mix of SCE&G. This shows the total weighted average fuel cost per MWh if SCE&G had the fuel costs and purchases of Duke and Progress Energy. These calculations are reflected on the second page of Exhibit No. ___ (JRH-4). Using Duke's fuel costs and SCE&G's generation mix, the total weighted average fuel and purchased energy cost per MWh would be $16.80. The same calculation using Progress Energy's fuel costs yields a total

weighted average fuel and purchased energy cost per MWh of $18.51. These numbers are very comparable to SCE&G's actual total weighted average fuel and purchased energy cost per MWh of $16.47. Therefore, when properly analyzed, the comparison of fuel costs per MWh among SCE&G, Duke, and Progress Energy demonstrate that the fuel costs are quite consistent and reasonable.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

EXHIBIT NO. ___ (JRH-4)

Non-Fuel Production O&M	Fuel	Total	Fuel and Purchased Energy Cost Per MWH	% of Tot. MWH Sources
$ 73,548,685	$ 262,102,436	$ 335,651,121	$ 16.47	67.4%
$ 61,678,863	$ 26,173,331	$ 87,852,194	$ 5.34	20.8%
$ 5,747,357	$ -	$ 5,747,357	$ -	0.8%
$ 5,913,594	$ 41,397,820	$ 47,311,414	$ 62.61	2.8%
$ 146,888,499	$ 329,673,587	$ 476,562,086	$ 15.22	91.8%

Demand	Energy	Other	Total		
$ 4,052,410	$ 59,179,044	$ 512,123	$ 63,743,577	$ 30.49	8.2%
$ 150,940,909	$ 388,852,631	$ 512,123	$ 540,305,663	$ 16.47	100.0%

Company Use and Losses (MWH)

1,076,437

Cost Per Unit of Sales:

$ 17.26

Source: Solomon Exhibit JBS-3 and 2003 FERC Form 1 filings for South Carolina Electric & Gas Company and South Carolina Generating Company, Inc. ("GENCO")

EXHIBIT NO. ___ (JRH-4)

	(Duke's) Fuel and Purchased Energy Cost Per MWH	(SCE&G's) % of Tot. MWH Sources		(Progress's) Fuel and Purchased Energy Cost Per MWH	(SCE&G's) % of Tot. MWH Sources
Steam	$ 16.34	67.4%	Steam	$ 20.43	67.4%
Nuclear	$ 4.21	20.8%	Nuclear	$ 4.56	20.8%
Hydro(Net)	$ -	0.8%	Hydro(Net)	$ -	0.8%
Other	$ 105.70	2.8%	Other	$ 81.36	2.8%
Total	$ 14.85	91.8%	Total	$ 17.00	91.8%
Purchases	$ 38.70	8.2%	Purchases	$ 35.40	8.2%
Total	$ 16.80	100.0%	Total	$ 18.51	100.0%

Source: Solomon Exhibit JBS-3 and 2003 FERC Form 1 filings for South Carolina Electric & Gas Company and South Carolina Generating Company, Inc. (“GENCO”)